(SHRI PRAFUL PATEL): (a) The fleet acquisition proposal of Public Sector Enterprises are not yet finalized. Issues relating to counter trade/offset commitments are taken up as part of the process of finalization of the Purchase Agreement.

(b) and (c) While media reports have appeared in this regard, there is no such information available with the Government.

US's concern over Indo-Iran Pipeline Project

†*23. SHRIMATI SAVITA SHARDA: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether Indo-Pak-Iran pipeline project has reached the crucial stage now;

(b) whether United States of America has expressed its disagreement about the said project;

(c) if so, the reasons therefor;

(d) whether any talks have been held between him and U.S. Secretary of State in this regard; and

(e) if so, the outcome of talks?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) The Government is discussing the details of the Iran-Pakistan-India gas pipeline project with the Governments of Iran and Pakistan. The discussion is progressing satisfactorily.

Two separate Secretary-level Joint Working Groups (JWGs) viz., the India-Iran special JWG and the India-Pakistan JWG, have been constituted to discuss the "financial, technical, commercial, legal and related issues to realize a safe and secure world-class project" as stated in the Joint Press Statement issued by the Ministry of Petroleum of India and Pakistan at Islamabad on 7 June, 2005. A copy of the Joint Press Statement may be seen at Statement-I (*See* below).

The first meeting of the India-Pakistan JWG was held in New Delhi on 12-13 July, 2005. Both sides stressed their "serious commitment" to address various issues pertaining to the project and agreed that once

†Original notice of the question was received in Hindi.

basic issues pertaining to the project had been satisfactorily resolved between the three countries concerned, they would enter into a "Framework Agreement". The two sides agreed on the crucial importance of urgently appointing their respective financial advisory consortia to advise on the project structure and related technical, financial, commercial and legal matters. They agreed that every effort would be made to appoint their respective financial advisory consortia at the earliest. A copy of the Joint Press Statement may be seen Statement-II (*See* below).

The meeting of the India-Iran Special JWG is likely to take place in New Delhi in early August 2005. Earlier, an Iranian technical-level delegation accompanied by representatives from BHP-Billiton, their project consultants who had prepared a pre-feasiblity report for the project, visited New Delhi on 24-25 June 2005, and made a presentation covering some technical and commercial aspects of the project.

The findings of the financial advisors supported by technical and legal consultants, will be discussed at future scheduled meetings of the Joint Working Groups (JWGs). These meetings will be reviewed by Minister-level interactions over the next few months. It is expected that by the end of the year, the three Governments will be in a position to decide on the project structure and related technical, financial and legal aspects of the project.

During her visit to India in March, 2005, U.S. Secretary of State Dr. Condoleezza Rice told the media that the US had conveyed its concerns on the proposed gas pipeline cooperation between India and Iran. Later, US Officials stated publicly that the US position on India's energy requirements was "constructive". The US legal position on this issue flows from its Iran Libya Sanctions Act (ILSA) of 1996 that provides for the imposition of sanctions against any party that has made an investment of more than Dollars 40 million that directly and significantly contributes to the enhancement of Iran's ability to develop petroleum resources of Iran.

(b) and (c) No, Sir. The question of the Iran-Pakistan-India pipeline has not been officially raised by the US authorities. However, it is a matter of record that the Iran Libya Sanctions Act 1996 is on the US Statute book.

(d) and (e) No discussions have been held between the Indian Petroleum & Gas Minister with the US Secretary of State.

Statement-I

Copy of the Joint Press Statement issued by Ministry of Petroleum in India and Pakistan

In accordance with the Joint Press Statement of April 18, 2005, in New Delhi by the President of Pakistan, His Excellency General Pervez Musharraf and the Prime Minister of India, His Excellency Mr. Manmohan Singh, it was agreed that the Ministers of Petroleum and Natural Gas would meet to explore cooperation on the issue of pipelines. Accordingly, the Indian Minister for Petroleum & Natural Gas and Panchayati Raj, Shri Mani Shankar Aiyar, visited Pakistan at the invitation of H.E. Mr. Amanullah Khan Jadoon, Minister for Petroleum and Natural Resources of Pakistan, between June 5-7, 2005. The two Ministers discussed cooperation between India and Pakistan with regard to the import of gas through transnational pipelines.

2. In Islamabad, H.E. Mr. Mani Shankar Aiyar had the honour of calling on H.E. President General Pervez Musharraf and H.E. Prime Minister Mr. Shaukat Aziz. He had a one-to-one meeting and delegation-level talks with H.E. Minister Mr. Amanullah Khan Jadoon. The two Ministers agreed that the transnational pipeline projects should be given top priority as there would be substantial advantage to both countries in pursuing and realizing cooperation in these projects, to serve their energy security interests, and to create linkages and inter-dependencies for establishing an enduring relationship between the two countries. They were of the shared view that, given the substantial requirements of gas of their countries, the processing of pipeline projects should be accelerated.

3. The Indian Minister explained to the Pakistani Minister India's requirements of gas by pipeline and the arrangements worked out by India. The Pakistan side gave a detailed presentation of the position regarding supply and demand for natural gas in Pakistan and provided an overview of the gas sector economy. The Indian Minister thanked the Pakistani side for the detailed information provided and, in turn, provided some details of arrangements made by India to import LNG and agreed to share technical inforamtion and experience in this regard with the Pakistani side.

4. *Iran-Pakistan-India Pipeline:* The two Ministers reviewed the Iran-Pakistan-India gas piepline proposal. They agreed that the project, which envisaged supply of gas to Pakistan and India through a transnational pipeline, would go a long way in meeting the energy security requirements of the two countries and, thus, should be seen as a significant project for the benefit of the people of these countries. The Indian and Pakistani delegations agreed *to exchange information* in regard to the financial structuring, technical, commercial, legal and related issues to realize a safe and secure world class project. To this end, it was agreed that the momentum pertaining to the project should be accelerated by constituting a Joint Working Group at the Secretary-level, which will meet regularly and report progress to the Ministers to facilitate definitive decisions by them, at the earliest.

5. *Turkmenistan-Afghanistan-Pakistan Pipeline:* H.E. Mr. Amanullah Khan Jadoon provided the Indian Minister with details of this project in which the Indian side expressed interest. The Indian Minister confirmed that he would respond positively to an invitation to attend the next Steering Committee Meeting.

6. *Gulf South Asia (GUSA) Pipeline:* The Pakistani side outlined the parameters of the proposed GUSA project and India expressed interest in participating in this project.

7. The Indian Minister conveyed his gratitude to H.E. Mr. Amanullah Khan Jadoon for the warm hospitality and courtesy extended to him and his delegation throughout their stay in Pakistan. Minister Aiyar invited Minister Amanullah Khan Jadoon to visit India to pursue transnational pipeline projects to maintain the momentum of dialogue and cooperation. The invitation was accepted. It was decided that H.E. the Pakistani Minister would visit India at his earliest convenience. It was also agreed that the Indian Minister would again visit Pakistan at mutual convenience later in the year. These visits would be preceded by meetings of the Joint Working Group, alternately in India and Pakistan, to discuss all issues relevant to the realization of world-class pipeline projects to meet the gas requirements of the two countries.

Islamabad
7 June 2005

Statement - II

Copy of the Joint Press Statement issued by India and Pakistan

The first meeting of the India-Pakistan Joint Working Group (JWG) on cooperation in transnational pipelines was held in New Delhi on 12th - 13th July, 2005. The Indian delegation was led by Shri S.C. Tripathi, Secretary, Ministry of Petroleum & Natural Gas, while the Pakistani delegation was led by H.E. Mr. Ahmad Waqar, Secretary, Ministry of Petroleum and Natural Resources. Besides having substantial delegation level discussions, the Pakistani delegation called on H.E. Shri Mani Shankar Aiyar, Indian Minister of Petroleum & Natural Gas and Panchayati Raj, who conveyed the firm support of the Government of India to the Iran-Pakistan-India Piepline Project and other transnational pipeline proposals under consideration. He urged the two delegations to prepare a time frame in respect of various items pertaining to the project.

2. The discussions between the two delegtions were marked by a positive and constructive approach and were held in an atmosphere of candour and mutual understanding. Both sides conveyed their serious commitment to address various issues pertaining to the project so as to maintain the momentum of the dialogue. They agreed that dialogue on the basis of bilateral joint working groups between India, Pakistan and Iran, interspersed with periodic interactions at Ministerial level, provided a satisfactory mechanism to address and resolve all matters pertaining to the project.

3.The two delegations had an indepth discussion of the technical, financial, commercial and legal aspects of the project. The two sides agreed that in order to realize a safe and secure world class project, arrangements would need to be provided for in every aspect of the project, including technical, commercial, financial and legal matters.

4. The two sides agreed that once basic issues pertaining to the project had been satisfactorily resolved between the three countries concerned, they would enter into a "Framework Agreement." In this regard, it was agreed that the Indian side would submit a draft text to the Pakistani side before the next meeting of the JWG.

5. The two sides agreed that they shared an immediate commonality of interest in regard to the technical aspects of the project such as the size and specifications of the pipeline, the quality of gas, the quantum of gas

required by the two countries and the build up period. It was agreed that technical experts of the two countries would meet quickly in order to harmonize the position of the two sides in this area to achieve a project of international standard.

6. The proposed pipeline routes and delivery point were also discussed. It was agreed that these would be established on the basis of techno - economic considerations.

7. The two sides agreed that the price of the gas as well as the project structure were of crucial importance. Various approaches to determine a reasonable price of gas as also various options pertaining to project structure were discussed by the two delegations. It was agreed that these matters would be pursued in greater detail at subsequent meetings of the JWG.

8. The two sides agreed on the crucial importance of urgently appointing their respective financial advisory consortium to advice on project structure and related technical, financial, commercial and legal matters. They agreed that every effort would be made to appoint the respective financial advisory consortium at the earliest.

9. The two sides noted with satisfaction that each of them had initiated the process of joining the Energy Charter, initially with "Observer" status. They agreed that in the various inter-governmental agreements entered into by them in respect of the project, the provisions of the Energy Charter would be referred to.

10. In order to carry the process forward, the two sides agreed that the next meeting of the JWG would take place in Islamabad by the end of August, 2005.

11. The two sides discussed the other pipeline proposals under consideration by them, i.e. the Turkmenistan - Afghanistan - Pakistan (TAP) pipeline and the Gulf - South Asia (GUSA) pipeline. They noted that India had been invited to attend the next meeting of the Steering Committee of the TAP Project. The Pakistani side briefed the Indian side on the latest developments pertaining to the project as also on their recent discussions pertaining to the GUSA Project.

New Delhi
13th July, 2005